





## Drinking Water State Revolving Fund

**Karen Klocke**  
Office of Drinking Water




### Office of Drinking Water Mission

We work with others to protect the health of the people of Washington State by ensuring safe and reliable drinking water.



### Background and Purpose

- Increase public health protection and compliance with drinking water regulations
- Reimbursements through low-interest loans
- Funded through U.S. Environmental Protection Agency and loan repayment stream



### Funding Opportunities

- Preconstruction grants and Consolidation grants:  
January 2–February 28, 2017
- Preconstruction loans: May 1- June 30 2017
- Construction loans: October 1-November 30 '17
- Emergency loans: Open year-round



### 2017 Funding Opportunities

- Preconstruction grants, consolidation grants, and preconstruction loans enable systems to better prepare for construction activities
- Need to move the money faster



### Preconstruction Grants

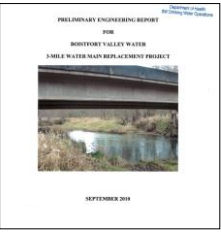
- January 2 – February 28, 2017
- Limit of \$30,000 per grant per jurisdiction
- Eligible entities: Publicly and privately owned not-for-profit Group A water systems serving 10,000 or fewer
- Applications and guidelines will be on-line




### Preconstruction Grants

**Eligible Activities:**

- Water system plan
- Small water system management program
- Design work
- Environmental review documents
- Cultural review documents




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### Preconstruction Grants

- In 2015: Funded 21 of 43 applications for total of \$510,000
  - Stevens PUD: Cultural review and archaeological work as part of existing construction loan
  - Plymouth WD: SWSMP and environmental review
  - Morton: Engineering report and design for new reservoir, received construction loan funding
- In 2016: Funded 6 of the 35 applicants that applied.


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### Consolidation Grants

- January 2 – February 28 2017
- Limit of \$30,000 per grant per jurisdiction
- Eligible entities: Publicly and privately owned not-for-profit community Group A systems
  - Purpose: Consolidate or restructure other Group A water systems serving fewer than 10,000
- Applications and guidelines on-line

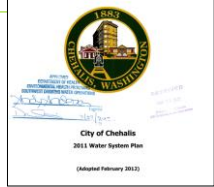
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### Consolidation Grants

**Eligible activities:**

- Feasibility studies
- Water system plan updates for consolidation
- Design of water main extensions
- Meetings
- System development charges and materials




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### Consolidation Grants

- Ineligible activities:
  - Ground disturbing and construction
- In 2015, funded 47 projects with potential to eliminate 60 small public water systems
- In 2016 there were 35 applications and 6 projects were funded


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### Consolidation Grant Example Projects

- Kitsap PUD South Bainbridge/Crystal Springs feasibility study
  - Crystal Springs well hydraulically connected to surface water
  - Low pressure in distribution system
  - Examined existing infrastructure, cost to improve infrastructure, meetings to obtain Crystal Springs interest, costs to connect systems
  - DWSRF construction loan with 50% subsidy

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### Consolidation Grant Example Projects

- Lewis County Water District 3/Tatoosh Motel Consolidation
  - Tatoosh Motel had multiple issues within sanitary control area of well
  - LCWD3 willing to connect the motel
  - Grant covered system development fees
    - Provide documentation of fees
  - Construction and ground-disturbing costs not eligible

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### Grant Funding

- DWSRF has \$300,000 for the 2017 grant cycle
- We will be running both the Consolidation and Pre Construction Grant cycles together.
- We will rate and rank all the projects together, and the top ones will be funded until we have exhausted the \$300,000.

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### Preconstruction Loans

- May 1 through June 30, 2017
- Limit of \$300,000 per jurisdiction
- 1.5% interest rate, 6-year loan term
- Eligible entities: Group A not-for-profit community water systems serving fewer than 10,000 and non-community water systems owned by a nonprofit organization
- Applications and guidelines online soon

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### Preconstruction Loans

#### Eligible activities:

- Feasibility studies
- Water system plan
- Design work
- Bid document preparation
- Cultural and environmental reviews



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### Preconstruction Loans

- Pilot project started in 2015
  - Received 5 applications in 2015
  - Received 6 applications in 2016 – all funded
- Outreach to systems with construction loan and limited progress
  - Two systems cancelled their construction loans and converted to preconstruction loans
- Goal of this funding program is to better prepare systems for construction
  - Points will be awarded on construction loan application if system had preconstruction loan

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### Construction Loans

- Currently open now until September 30, 2016
- October 1- November 30, 2017
- Approximately \$35 million available
- Limit of \$3,000,000 per jurisdiction
- 1.5% interest rate, 20-year loan term if no subsidy
- Up to 50% subsidy based on affordability index or if doing a consolidation project
- Applications and guidelines online by September, 2017



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### General Requirements

- Submit each project separately.
- Meet water system plan submittal and approval deadlines. Planning documents must be approved no later than November 30, 2017 for 2017 applications.
- Install service meters if not already totally metered.
- Comply with National Historic Preservation Act, Section 106 or 05-05.
- Comply with Federal and State Environmental Policy Acts (NEPA and SEPA).

### Construction Loans

**Eligible Applicants:**

- Group A community systems
- Group A nonprofit non-community systems
- Group B systems converting to Group A
- Tribal systems not receiving SRF tribal set asides

### Construction Loans

**Eligible Projects:**

- Projects that address a public health risk
- Projects that upgrade deteriorated facilities
- Can reimburse for eligible preconstruction activities (design, cultural report, permits)



### Construction Loans

**Ineligible Applicants:**

- Group B systems **not** converting to Group A
- Group A non-community, for-profit systems
- Federally- and state-owned systems

### Construction Loans

**Ineligible Projects:**

- Operations and maintenance
- Future growth or fire flow
- No construction component

### Construction Loans

- Loan terms changed to 20-year repayment
- Competitive bid within 18 months of contract execution
- Construction must begin within 24 months
- Construction must be completed with 48 months
- **Lower interest rate for projects completed in 24 months if not already receiving subsidy**

### Construction Loan

- Loan fee: 1 percent
- Interest rates: 1.0-1.5 percent, depending on community income level
- Revised in 2014: Repayment period 20 years from project completion
- First payment due October 1 of contract year unless subsidy has been awarded



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### Construction Loan Financial Viability

- Able to repay loan?
- Rates appropriate?
- Reserve account?
- Other debt?
- System budget, 6-year plan.
- *Financial viability for small water systems fact sheet (DOH 331-405).*



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### Construction Loan: Financial Viability



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### Cultural/Historical and Environmental Review

- All projects with federal nexus:
  - Permit, license, approval
  - Federal lands
  - Funding (in whole or part)
- All DWSRF-funded projects with construction
- All DWSRF projects with ground disturbance
- All DWSRF projects with potential impact to historic structures
- All DWSRF projects with potential to impact the environment



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### Environmental Review

- Complete SERP (State Environmental Review Process)
  - Complete SEPA
  - Publish for **30-day** public comment period
  - Start immediately



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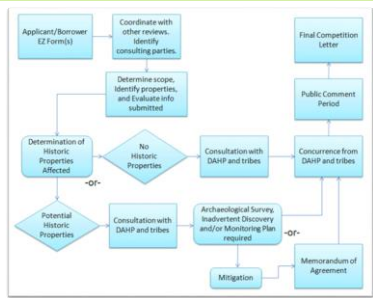
### Cultural Review

1. Evaluate project
2. Determine the effects
3. Address the effects
4. Consultation – ongoing, early and often
5. Publish for 30-day public comment period



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Cultural/Historical Review Flowchart



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Cultural/Historical and Environmental Review

- Projects reach compliance once DOH issues a written final completion notification letter
- If unsure, ASK!



May lose funding if activities are not approved

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Cultural/Historical and Environmental Review

Revising the scope of work requires additional review and may require additional steps.  
Examples:

- Increase pipe size
- Excavate at a deeper depth
- Add new elements to project activities
- Modify area of potential effect
- Excavate at a different location than previously identified



Must contact our office with any changes

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Emergency Loan Program

- Open: Year-round
- Limit: \$100,000 per entity
- Pays for: Recovery from drought, wind damage, floods, landslides, wildfires
- Eligible entities: Group A publicly- and privately owned, not-for-profit community systems (<10,000) and noncommunity systems owned by nonprofits

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Emergency Loan Program

- Eligible activities
  - Construction, reconstruction, replacement, or rehabilitation
  - Temporary repair or improvement needed to continue or restore service
  - Water hauling
- No minimum amount

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### Emergency Loan Terms

- Interest rate: 1.0 to 1.5%
- Forgiveness: Up to 75%
- Loan term: Six years
- Time of performance: Two years from contract execution to project completion date
- Repayment starts: First October after contract execution



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# Asset Management

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### What Is Asset Management?

- It is the process of monitoring and maintaining facilities systems with the objective of providing the best possible service to users (appropriate for [public infrastructure](#) assets).

- From Wikipedia
- Asset management is the building block for utility performance improvement: Where to focus and what to strive for.

- From EPA


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### Benefits of Asset Management

- Prolonging asset life and aiding in rehabilitation/repair/replacement decisions through efficient and focused operations and maintenance.
- Meeting consumer demands with a focus on system sustainability.
- Setting rates based on sound operational and financial planning.

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### Benefits of Asset Management

- Budgeting focused on activities critical to sustained performance.
- Meeting service expectations and regulatory requirements.
- Improving response to emergencies.
- Improving security and safety of assets




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### Asset Management Best Practices

- Prepare an asset inventory and system map.
- Develop a condition assessment and rating system.
- Assess remaining useful life by consulting projected-useful-life tables or decay curves.
- Determine asset values and replacement costs.
- Water system boards and managers need to draw on and support asset management, long-term business planning and continual improvement management systems

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- Water utilities that pay attention to asset management are more likely to perform well.
- EPA asks that we do asset management so all of our resources are used efficiently.
- Nationally, EPA is giving less money to DWSRF funders – so we must use our money more wisely.



- In 2017, DWSRF applicants can receive 1 point for attending asset management trainings.
- In 2017, DWSRF applicants can receive additional points if they submit a completed asset management/inventory.
- In the future, completed asset management will be required with DWSRF applications.



- Dan Banner from RCAC and Karen Klocke from DOH provide asset management trainings around the state.
- Trainings are free! Certified operators can receive 0.7 CEUs for attending the class.
- Trainees get free thumb drives with forms and background information for your water system.

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